

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS

FOR THE QUARTER ENDED September 30, 2008
(Unaudited)

KIM WALLIN
STATE CONTROLLER
CARSON CITY, NEVADA

KIM R. WALLIN,
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State Controller

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STATE OF NEVADA



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Acting Chief Deputy Controller

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**OFFICE OF THE
STATE CONTROLLER**

November 24, 2008

The Honorable Jim Gibbons
Chairman, State Board of Finance
101 N. Carson Street, Suite 1
Carson City, NV 89701-4786

Dear Governor Gibbons:

Pursuant to NRS 387.013, I am pleased to provide you with the financial statements of the Permanent School Fund for the quarter ending September 30, 2008.

Sincerely,

A handwritten signature in cursive script that reads "Kim Wallin".

Kim Wallin
State Controller

KW:es

Legislative Counsel Bureau (2)
State Board of Education (2)
Department of Administration (2)
Department of Conservation (2)
Department of Education (1)
Office of the State Treasurer (2)
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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
September 30, 2008 and 2007
(Unaudited)

Exhibit A

Assets	<u>9/30/08</u>	<u>9/30/07</u>
Cash and cash equivalents	\$ 12,340,529	\$ 17,980,975
Accrued interest		
Investments	2,668,312	2,470,087
Treasurer	116,224	283,655
Total accrued interest	<u>2,784,536</u>	<u>2,753,742</u>
Receivables		
Land sales	121,565	31,046
Fines and penalties	511,301	549,946
Purchased interest	15,111	356,398
Total receivables	<u>647,977</u>	<u>937,390</u>
Investments		
U.S. Government securities	<u>276,611,013</u>	<u>263,352,346</u>
Total Assets	<u><u>\$ 292,384,055</u></u>	<u><u>\$ 285,024,453</u></u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 5,405,221	\$ 5,873,940
Due to heirs	836,780	1,121,112
Total liabilities	<u>6,242,001</u>	<u>6,995,052</u>
 Fund balances		
Reserved: Permanent Fund Principal	<u>286,142,054</u>	<u>278,029,401</u>
Total Liabilities and Fund Balances	<u><u>\$ 292,384,055</u></u>	<u><u>\$ 285,024,453</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Quarters ended September 30, 2008 and 2007
(Unaudited)

	<u>Quarter Ended 9/30/2008</u>	<u>Exhibit B Quarter Ended 9/30/2007</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 1,235,706	\$ 1,452,451
District Courts	159,805	159,103
Other Fines and Penalties	<u>5,600</u>	<u>0</u>
Total fines	1,401,111	1,611,554
Investment income (loss)	2,425,639	6,266,234
Land sales	121,565	655,046
Escheated estates	(12,855)	18,731
Miscellaneous	<u>81,540</u>	<u>14,332</u>
Total revenues	<u>4,017,000</u>	<u>8,565,897</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>(2,425,639)</u>	<u>(6,266,234)</u>
Net change in fund balances	1,591,361	2,299,663
Fund balances, beginning of period	<u>284,550,693</u>	<u>275,729,738</u>
Fund balances, September 30	<u>\$ 286,142,054</u>	<u>\$ 278,029,401</u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND
GENERAL

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund is classified as a permanent fund in accordance with Governmental Accounting Standards Board Statement No. 34. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund that apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$40 million. Bond guarantees at September 30, 2008 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$ 38,103,000.00	\$ 33,244,000.00
Churchill	10,060,000.00	5,650,000.00
Douglas	14,460,000.00	5,410,000.00
Eureka	6,000,000.00	3,066,000.00
Humboldt	5,075,000.00	1,660,000.00
Lincoln	4,075,000.00	3,642,000.00
Lyon	23,330,000.00	18,455,000.00
Mineral	4,425,000.00	3,825,000.00
Nye	38,735,000.00	29,775,000.00
Pershing	5,135,000.00	2,100,000.00
Storey	10,950,000.00	10,800,000.00
White Pine	5,040,000.00	5,040,000.00

REVENUE SOURCES

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

Basis of Accounting:

Transactions are recorded on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

Treasurer's Interest Accrual:

For the quarter ended September 30, 2008, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$15,250,918. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average daily cash balances.

For the quarter ended September 30, 2008, funds held by the State Treasurer earned interest at an effective rate of 3.06 percent.

Investments:

Investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
September 30, 2008

Schedule 1

Fixed Income Securities	Interest Rate	Maturity Date	Face Amount	Cost	Fair Value
Fed. Farm Credit Bank	3.300	11/05/08	\$ 7,300,000	\$ 7,221,160	\$ 7,268,252
Fed. Farm Credit Bank	3.300	11/05/08	10,000,000	9,824,180	10,037,111
Fed. Farm Credit Bank	3.850	02/11/09	7,675,000	7,669,320	7,696,567
Fed. Farm Credit Bank	4.875	02/18/11	7,000,000	6,986,210	7,227,500
Fed. Farm Credit Bank	5.250	06/19/09	10,000,000	9,921,800	10,143,800
Fed. Farm Credit Bank	4.200	02/19/15	10,000,000	9,995,000	9,725,000
Fed. Farm Credit Bank	3.750	01/24/11	15,000,000	15,213,000	15,018,750
Fed. Farm Credit Bank	3.980	04/03/13	20,000,000	19,990,000	19,800,000
Fed. Farm Credit Bank	3.980	04/23/10	13,000,000	13,000,000	12,983,750
Fed. Farm Credit Bank	5.250	08/03/09	15,000,000	15,448,050	15,257,850
Fed. Farm Credit Bank	4.900	07/08/13	15,000,000	14,996,250	15,192,150
Fed. Farm Credit Bank	4.750	08/13/13	10,000,000	10,000,000	10,053,100
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	10,021,900
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	7,067,830
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,530,965
Fed. Home Loan Bank Note	5.250	06/11/10	10,000,000	9,884,900	10,318,800
Fed. Home Loan Bank Note	4.550	06/22/10	10,000,000	9,638,900	10,206,300
Fed. Home Loan Bank Note	5.250	06/12/09	11,000,000	10,905,180	11,154,660
Fed. Home Loan Bank Note	5.330	03/06/12	19,640,000	19,708,347	19,940,640
Fed. Home Loan Bank Note	5.230	03/19/12	8,000,000	7,978,800	8,040,000
Fed. Home Loan Bank Note	5.000	10/06/09	15,000,000	15,010,350	15,004,650
Fed. Home Loan Bank Note	5.330	03/06/12	9,000,000	9,059,063	8,958,838
Fed. Home Loan Bank Note	4.150	01/29/13	10,000,000	10,000,000	9,984,400
Fed. Home Loan Bank Note	4.350	01/30/13	10,000,000	10,000,000	9,996,900
Fed. Home Loan Bank Note	3.650	06/23/11	10,000,000	9,944,800	9,981,300
Total Investments			<u>\$ 275,115,000</u>	<u>\$ 274,742,075</u>	<u>\$ 276,611,013</u>

STATE OF NEVADA

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarters ended September 30, 2008 and 2007

County	<u>Schedule 2</u>	
	Quarter Ended 9/30/2008	Quarter Ended 9/30/2007
Carson City	\$ 6,590	\$ 3,380
Churchill	10,813	13,473
Clark	604,045	816,953
Douglas	8,594	9,621
Elko	38,768	51,170
Esmeralda	27,381	20,612
Eureka	4,990	2,358
Humboldt	-	-
Lander	4,693	1,651
Lincoln	532	576
Lyon	31,937	27,289
Mineral	3,579	153
Nye	68,281	78,019
Pershing	378	-
Storey	-	-
Washoe	418,105	424,651
White Pine	7,020	2,545
Total	<u>\$ 1,235,706</u>	<u>\$ 1,452,451</u>

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarters ended September 30, 2008 and 2007

County	<u>Schedule 3</u>	
	Quarter Ended 9/30/2008	Quarter Ended 9/30/2007
Carson City	\$ 4,314	\$ 7,422
Churchill	931	1,020
Clark	72,588	79,263
Douglas	7,346	5,347
Elko	11,926	10,749
Esmeralda	14	4,876
Eureka	2,605	625
Humboldt	820	2,104
Lander	1,720	925
Lincoln	4,250	1,850
Lyon	3,380	7,311
Mineral	100	1,000
Nye	2,135	2,533
Pershing	749	195
Storey	-	-
Washoe	40,653	30,103
White Pine	6,274	3,780
Total	<u>\$ 159,805</u>	<u>\$ 159,103</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND

SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended September 30, 2008

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
Fed. Farm Credit Bank	3.300 %	\$ 7,300,000	\$ 60,225
Fed. Farm Credit Bank	3.300	10,000,000	82,500
Fed. Farm Credit Bank	3.850	7,675,000	73,872
Fed. Farm Credit Bank	4.875	7,000,000	85,313
Fed. Farm Credit Bank	3.375	10,000,000	22,286
Fed. Farm Credit Bank	5.250	10,000,000	131,250
Fed. Farm Credit Bank	4.200	10,000,000	105,000
Fed. Farm Credit Bank	3.750	15,000,000	142,188
Fed. Farm Credit Bank	3.980	20,000,000	199,000
Fed. Farm Credit Bank	3.980	13,000,000	129,350
Fed. Farm Credit Bank	5.250	15,000,000	175,000
Fed. Farm Credit Bank	4.900	15,000,000	153,125
Fed. Farm Credit Bank	4.750	10,000,000	59,375
Fed. Home Loan Bank Note	4.125	10,000,000	103,125
Fed. Home Loan Bank Note	4.000	7,000,000	70,000
Fed. Home Loan Bank Note	3.660	5,500,000	50,325
Fed. Home Loan Bank Note	5.250	10,000,000	131,250
Fed. Home Loan Bank Note	4.550	10,000,000	113,750
Fed. Home Loan Bank Note	5.250	11,000,000	144,375
Fed. Home Loan Bank Note	5.330	19,640,000	261,703
Fed. Home Loan Bank Note	5.230	8,000,000	104,600
Fed. Home Loan Bank Note	5.000	15,000,000	187,500
Fed. Home Loan Bank Note	5.330	9,000,000	119,925
Fed. Home Loan Bank Note	4.150	10,000,000	103,750
Fed. Home Loan Bank Note	4.350	10,000,000	108,750
Fed. Home Loan Bank Note	3.650	10,000,000	91,250
Total interest on investments			<u>3,008,787</u>
Interest received from cash equivalent			9,396
Treasurer's interest distribution			<u>116,224</u>
Total interest			<u>3,134,407</u>
Change in fair value of investments			<u>(708,768)</u>
Total investment income (loss) earned for the quarter			<u><u>\$2,425,639</u></u>